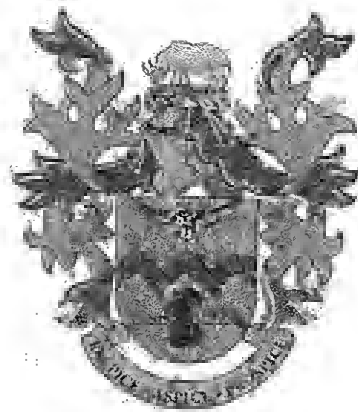


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**MTUBATUBA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2011**

## Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### General Information

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Legal form of entity	Municipality	
Executive committee	After elections	Before elections
Mayor	MM Davies	ME Mkhwanazi
Deputy Mayor	SC Mkhwanazi	CN Banda
Speaker	IF Nyawo	SS Masuku
Member	DR Ntuli	MM Davies
Member	SJ Khoza	
Member	SH Mthethwa	
Member	ZE Nyawo	
Member	MQ Mkhwanazi	
Other Council Members of the Mtubatuba Municipality	NA Dhlamini	HG Mbhele
	AS Khumalo	JJ Combrick
	MZ Shobede	TM Mbuyazi
	LG Mkhwanazi	TT Maphanga
	SJ Shezi	VM Ncube
	BR Mandla	
	CT Buthelezi	
	LX Mkhwanazi	
	PV Ntshalintshali	
	SR Khumalo	
	ZW Matonsi	
	EK Magwaza	
	TM Mbuyazi	
	KP Tembe	
	T Ndlovu	
	RB Msomi	
	SD Manqele	
	KI Kheswa	
	ML Mfekayi	
	MA Gina	
	DL Gumbi	
	ML Mthethwa	
	DLG Bhikili	
	VC Mkhwanazi	
	AN Khoza	
	T Mnguni	
	PK Msweli	
	TT Maphanga	
	SS Ncube	
	FM Mathe	

## **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### **General Information**

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<b>Grading of local authority</b>	Grade 3
<b>Acting Municipal Manager</b>	Mr NT Dlodla
<b>Chief Finance Officer (CFO)</b>	Mr NT Dlodla
<b>Accounting Officer</b>	Mr NT Dlodla
<b>Registered office</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Postal address</b>	P.O Box 52 Mtubatuba 3935
<b>Bankers</b>	First National Bank Mtubatuba 3935
<b>Auditors</b>	Auditor General South Africa Redlands Estate, 1 Goerge MacFarlane Lane Wmbley Pietermaritzburg 3201
<b>Attorneys</b>	<b>Scheepers Spies Mdaka Attorneys</b> Group Floor Lot 47 Jan Smut Avenue P.O. Box 31 Mtubatuba 3935 <b>A.P. Shangase &amp; Associates</b> 5th Floor, 397 Smith Street Durban P.O. Box 49139 Qualbert 4078

# **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### **Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## **Accounting Officer's Report**

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In terms of Municipal Finance Management Act (Act 56 of 2003), I am required to maintain adequate accounting records and responsible for the content and integrity of the annual financial statements and related financial information included in this report.

It is my responsibility to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. Auditor General has the constitutional mandate to provide public confidence through expression of an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. We have sets of standards for internal control aimed at reducing the risk in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is to a large extent dependent on the National Government Grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

The annual financial statements set out on pages 4 to 36, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2011 and were signed on its behalf by:

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**Mr NT Dlodla**  
Accounting Officer

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
Current Assets			
Assets held for sale	5	22,558,049	22,558,049
Trade and other receivables from exchange transactions	6	106,580	106,580
VAT receivable	7	2,667,728	957,967
Consumer debtors	8	6,824,573	12,588,542
Cash and cash equivalents	9	305,909	2,878,907
		<b>32,462,839</b>	<b>39,090,045</b>
Non-Current Assets			
Investment property	2	25,684,000	-
Property, plant and equipment	3	90,312,501	78,476,496
Intangible assets	4	631,587	612,337
		<b>116,628,088</b>	<b>79,088,833</b>
<b>Total Assets</b>		<b>149,090,927</b>	<b>118,178,878</b>
<b>Liabilities</b>			
Current Liabilities			
Long Term liabilities	10	249,053	165,338
Finance lease obligation	11	1,053,470	441,244
Trade and other payables	14	17,840,505	3,122,150
Unspent conditional grants and receipts	12	12,471,662	13,079,239
Provisions	13	3,948,443	3,536,835
Bank overdraft	9	5,112,073	2,327
		<b>40,675,206</b>	<b>20,347,133</b>
Non-Current Liabilities			
Long Term liabilities	10	2,212,406	2,587,459
Finance lease obligation	11	3,544,503	1,364,757
		<b>5,756,909</b>	<b>3,932,216</b>
<b>Total Liabilities</b>		<b>46,432,115</b>	<b>24,279,349</b>
<b>Net Assets</b>		<b>102,658,812</b>	<b>93,899,529</b>
<b>Net Assets</b>			
Reserves			
Fair value adjustment assets-available-for-sale reserve		21,348,026	21,348,026
Accumulated surplus		81,310,786	72,551,503
<b>Total Net Assets</b>		<b>102,658,812</b>	<b>93,899,529</b>

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Property rates	15	13,423,557	12,436,410
Service charges	16	4,618,664	3,291,444
Property rates - penalties imposed and collection charges		2,167,554	1,799,202
Rental of facilities and equipment		269,818	226,717
Fines		198,792	188,682
Licences and permits		2,437,854	2,295,742
Government grants & subsidies	17	35,586,020	22,075,263
Other income		899,568	985,658
Interest received - investment	23	199,647	183,216
<b>Total Revenue</b>		<b>59,801,474</b>	<b>43,482,334</b>
<b>Expenditure</b>			
Personnel	20	(20,066,970)	(17,416,504)
Remuneration of councillors	21	(2,464,991)	(1,993,427)
Depreciation and amortisation	24	(5,707,574)	(5,317,850)
Finance costs	25	(826,181)	(508,809)
Debt impairment	22	(8,417,187)	(3,710,052)
Repairs and maintenance		(5,228,552)	(2,787,440)
Contracted services		(2,835,850)	(1,169,218)
Grants and subsidies paid		(9,453,066)	(4,378,805)
General Expenses	19	(17,531,409)	(8,324,675)
<b>Total Expenditure</b>		<b>(72,531,780)</b>	<b>(45,606,778)</b>
<b>Deficit for the year</b>		<b>(12,730,306)</b>	<b>(2,124,444)</b>

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Statement of Changes in Net Assets

	Fair value adjustment assets- available-for- sale reserve	Accumulated surplus	Total net assets
Figures in Rand			
Opening balance as previously reported		27,547,038	27,547,038
Adjustments			
Change in accounting policy		47,128,909	47,128,909
<b>Balance at 01 July, 2009 as restated</b>		<b>74,675,947</b>	<b>74,675,947</b>
Changes in net assets			
Surplus on fair value revaluation of land	21,348,026		21,348,026
Net income (losses) recognised directly in net assets	21,348,026		21,348,026
Surplus for the year		(2,124,444)	(2,124,444)
Balance	21,348,026	(2,124,444)	19,223,582
Total changes	21,348,026	(2,124,444)	19,223,582
Opening balance as previously reported	21,348,026	72,551,504	93,899,530
Adjustments			
Change in accounting policy		21,489,588	21,489,588
<b>Balance at 01 July, 2010 as restated</b>	<b>21,348,026</b>	<b>94,041,092</b>	<b>115,389,118</b>
Changes in net assets			
Loss for the year		(12,730,306)	(12,730,306)
Total changes		(12,730,306)	(12,730,306)
<b>Balance at 30 June, 2011</b>	<b>21,348,026</b>	<b>81,310,786</b>	<b>102,658,812</b>
Note(s)			



## Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### Cash flow statement

Figures in Rand	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash Receipts from Ratepayers, Government and Other		43,792,370	42,241,458
Interest income		199,647	183,216
		<u>43,992,017</u>	<u>42,424,674</u>
<b>Payments</b>			
Employee costs		(17,439,206)	(17,399,886)
Suppliers		(17,870,339)	(17,299,642)
Finance costs		(215,073)	(260,281)
Other payments		(496,841)	(196,141)
		<u>(36,021,459)</u>	<u>(35,155,950)</u>
<b>Net cash flows from operating activities</b>	27	<b><u>7,970,558</u></b>	<b><u>7,268,724</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(17,543,578)	(7,301,110)
Purchase of other intangible assets	4	(19,250)	(612,337)
<b>Net cash flows from investing activities</b>		<b><u>(17,562,828)</u></b>	<b><u>(7,913,447)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of long term liabilities		(271,338)	(285,163)
Finance lease payments		2,180,864	445,834
Other cash item		-	1,604,581
<b>Net cash flows from financing activities</b>		<b><u>1,909,526</u></b>	<b><u>1,765,252</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(7,682,744)</u></b>	<b><u>1,120,529</u></b>
Cash and cash equivalents at the beginning of the year		2,876,580	1,756,051
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>(4,806,164)</u></b>	<b><u>2,876,580</u></b>

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement

### STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

"The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

# **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## **Accounting Policies**

---

IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

### **1.1 Investment property**

#### **Cost model**

##### **Recognition**

Investment property shall be recognised as asset when and only when:

- when it is probable that future economic benefits associated with the investment property will flow to the Municipality, and
- the cost of the investment property can be measured reliably

Investment Property includes only land which is held for capital appreciation.

##### **Initial measurement**

Investment property is initially recognised at cost when it meets the definition of the investment property, however where the investment property is acquired through non exchange transaction (i.e. where investment property is acquired for no or nominal value) its cost is its fair value as at the date of acquisition

The cost of a self-constructed investment property comprises of a cost at the date when the construction or development is complete.

##### **Subsequent Measurement: Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gains or losses on the change of its fair value; retirement or disposal of an investment property are recognised in the surplus or deficit for the period in which it occurs.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gains or losses on the change of its fair value; retirement or disposal of an investment property are recognised in the surplus or deficit for the period in which it occurs.

### **1.2 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Accounting Policies

---

### 1.2 Property, plant and equipment (continued)

property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	15-20
• Pedestrian malls	30
• Electricity	20-30
• Water	15-20
• Sewage	15-20
• Housing	30
• Landfill sites	15
Community	
• Improvement	30
• Recreational Facilities	20-30
• Security	5
Other property, plant and equipment	
• Building	30
• Specialist vehicles	5-20
• Other Vehicle	5-10
• Office Equipment	3-7
• Furniture and Fittings	7-10
• Watercraft	15
• Bins and Containers	5
• Specialised Plant and Equipment	10-15
• Other Items of Plant and Equipment	2-5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

### Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

#### Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

#### Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

#### Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

#### Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Accounting Policies

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### 1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	Indefinite

### 1.4 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

## **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### **Accounting Policies**

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#### **1.4 Financial instruments (continued)**

##### **Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

##### **Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

##### **Trade receivables, consumer debtors and other receivables**

Trade receivables, consumer debtors and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade receivables, consumer debtors and other receivables are classified as loans and receivables.

# **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## **Accounting Policies**

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### **1.4 Financial instruments (continued)**

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

### **1.5 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **1.6 Assets held for sale**

#### **Initial recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **Subsequent measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.7 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase



## **Mtubatuba Municipality**

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### **Accounting Policies**

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#### **1.7 Employee benefits (continued)**

their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **1.8 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

#### **Environmental Rehabilitation Provision**

Estimated long term environmental provision comprising rehabilitation and landfill site closure are based, on the entity's policy, taking into account environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of the asset. Any subsequent changes to the obligation that did not relate to the initial related assets are charged to the statement of financial performance.

#### **1.9 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

# **Mtubatuba Municipality**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## **Accounting Policies**

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### **1.9 Revenue from exchange transactions (continued)**

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **1.10 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.11 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.12 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.13 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA and section 102 MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## **Mtubatuba Municipality**

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Annual Financial Statements for the year ended 30 June, 2011

### **Accounting Policies**

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#### **1.14 Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

#### **1.15 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

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### 2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	25,684,000	-	25,684,000	-	-	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	23,370,475	-	23,370,475	23,355,475	-	23,355,475
Buildings	10,269,778	(5,647,001)	4,622,777	10,107,025	(5,499,791)	4,607,234
Infrastructure - Roads	93,531,900	(85,029,000)	8,502,900	93,531,900	(82,194,700)	11,337,200
Street Lighting	25,076	(3,313)	21,763	25,076	(2,366)	22,710
Community Assets	42,384,500	(11,395,669)	30,988,831	42,384,500	(10,096,808)	32,287,692
Plant and Equipment	693,918	(407,731)	286,187	606,610	(229,819)	376,791
Motor Vehicles	4,125,568	(483,494)	3,642,074	1,258,343	(149,803)	1,108,540
Furniture and Fixtures	2,195,133	(1,109,471)	1,085,662	1,740,912	(546,734)	1,194,178
Office Equipment	1,458,227	(907,905)	550,322	899,156	(434,746)	464,410
Heritage Assets	1,020,835	(350,001)	670,834	875,001	(175,000)	700,001
Security Measures	171,009	(97,506)	73,503	171,009	(70,115)	100,894
Water Tanks	29,890	(7,238)	22,652	29,890	(5,744)	24,146
Bins and Containers	351,067	(9,212)	341,855	666	(389)	277
Capital Work In Progress	15,090,998	-	15,090,998	1,481,027	-	1,481,027
Leased Assets	2,305,189	(1,263,521)	1,041,668	2,047,682	(631,761)	1,415,921
<b>Total</b>	<b>197,023,563</b>	<b>(106,711,062)</b>	<b>90,312,501</b>	<b>178,514,272</b>	<b>(100,037,776)</b>	<b>78,476,496</b>

### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	23,355,475	15,000	-	23,370,475
Buildings	4,607,234	162,753	(147,210)	4,622,777
Infrastructure - Roads	11,337,200	-	(2,834,300)	8,502,900
Street Lighting	22,710	-	(947)	21,763
Community Assets	32,287,692	-	(1,298,861)	30,988,831
Plant and Equipment	376,791	5,800	(96,404)	286,187
Motor Vehicles	1,108,540	2,867,225	(333,691)	3,642,074
Furniture and Fixtures	1,194,178	117,819	(226,335)	1,085,662
Office Equipment	464,410	308,873	(222,961)	550,322
Heritage Assets	700,001	-	(29,167)	670,834
Security Measures	100,894	-	(27,391)	73,503
Water Tanks	24,146	-	(1,494)	22,652
Bins and Containers	277	350,400	(8,822)	341,855
Capital work in progress	1,481,027	13,609,971	-	15,090,998
Leased Assets	1,415,921	105,737	(479,990)	1,041,668
<b>Total</b>	<b>78,476,496</b>	<b>17,543,578</b>	<b>(5,707,573)</b>	<b>90,312,501</b>

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

Figures in Rand

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### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Accumulated depreciation	Depreciation	Total
Land	24,565,475	-	(1,210,000)	-	-	23,355,475
Buildings	10,107,025	-	-	(5,352,581)	(147,210)	4,607,234
Infrastructure - Roads	93,531,900	-	-	(79,360,400)	(2,834,300)	11,337,200
Street Lighting	25,074	-	-	(1,419)	(945)	22,710
Community Assets	42,384,500	-	-	(8,797,947)	(1,298,861)	32,287,692
Plant and Equipment	586,350	20,260	-	(127,401)	(102,418)	376,791
Motor Vehicles	-	1,258,343	-	-	(149,803)	1,108,540
Furniture and Fixtures	1,264,614	476,298	-	(336,403)	(210,331)	1,194,178
Office Equipment	796,365	102,791	-	(250,199)	(184,547)	464,410
Heritage Assets	875,001	-	-	(145,833)	(29,167)	700,001
Security Measures	148,209	22,800	-	(43,864)	(26,251)	100,894
Water Tanks	29,890	-	-	(4,249)	(1,495)	24,146
Bins and Containers	621	45	-	(231)	(158)	277
Capital Work In Progress	-	1,481,027	-	-	-	1,481,027
Leased Assets	773,323	1,274,358	-	(299,396)	(332,364)	1,415,921
	<b>175,088,347</b>	<b>4,635,922</b>	<b>(1,210,000)</b>	<b>(94,719,923)</b>	<b>(5,317,850)</b>	<b>78,476,496</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	631,587	-	631,587	612,337	-	612,337

### 5. Assets held for sale

Unsold Properties Held for Resale	22,558,049	22,558,049
Transferred from non-current assets	1,210,023	1,210,023
Fair value	21,348,026	21,348,026
	<b>22,558,049</b>	<b>22,558,049</b>

### 6. Trade and other receivables from exchange transactions

Fuel Deposits	27,000	27,000
Eskom deposits	79,580	79,580
	<b>106,580</b>	<b>106,580</b>

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010	
<b>7. VAT receivable</b>			
VAT	2,667,728	957,967	
Opening Balance	957,967	3,071,830	
Add: Returns submitted	2,866,917	1,800,492	
Less: Refunds	(1,720,345)	(4,026,882)	
Add : Unclaimed VAT at year end	563,189	112,527	
	<b>2,667,728</b>	<b>957,967</b>	
<b>8. Consumer debtors</b>			
<b>Gross balances</b>			
Rates	27,268,472	25,238,440	
Refuse	4,968,874	4,414,353	
St Lucia Security	813,216	744,551	
	<b>33,050,562</b>	<b>30,397,344</b>	
<b>Less: Provision for debt impairment</b>			
Rates	(23,323,683)	(15,568,236)	
Refuse	(2,489,018)	(1,929,756)	
St Lucia Security	(413,288)	(310,810)	
	<b>(26,225,989)</b>	<b>(17,808,802)</b>	
<b>Net balance</b>			
Rates	3,944,789	9,670,204	
Refuse	2,479,856	2,484,597	
Other (specify)	399,928	433,741	
	<b>6,824,573</b>	<b>12,588,542</b>	
<b>2011</b>			
	<b>Consumers</b>	<b>Industrial / Commercial</b>	<b>National and Provisional Government</b>
Current	248,824	264,549	826,120
31-61 days	296,546	516,152	2,468
61-90 days	211,702	334,580	5,374
91 and more days	25,484,382	2,678,230	2,181,835
	<b>26,241,254</b>	<b>3,793,511</b>	<b>3,015,797</b>
<b>2010</b>			
	<b>Consumers</b>	<b>Industrial / Commercial</b>	<b>National and Provisional Government</b>
Current	237,740	396,779	779,300
31-60 Days	277,208	499,240	1,953
61-90 Days	287,478	394,022	1,925
91 and more	23,941,802	2,491,564	1,088,333
	<b>24,744,228</b>	<b>3,781,605</b>	<b>1,871,511</b>

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>8. Consumer debtors (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	886,428	1,104,082
31 - 60 days	631,865	644,268
61 - 90 days	443,090	569,929
91 - 120 days	548,324	669,047
121 - 365 days	1,435,082	6,682,878
	<b>3,944,789</b>	<b>9,670,204</b>
<b>Refuse</b>		
Current (0 -30 days)	308,012	202,848
31 - 60 days	154,767	114,773
61 - 90 days	86,733	97,116
91 - 120 days	117,923	119,187
121 - 365 days	1,812,421	1,950,673
	<b>2,479,856</b>	<b>2,484,597</b>
<b>St Lucia Security</b>		
Current (0 -30 days)	144,853	106,889
31 - 60 days	28,534	19,358
61 - 90 days	21,833	16,380
91 - 120 days	32,787	20,103
121 - 365 days	171,921	271,011
	<b>399,928</b>	<b>433,741</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(17,808,802)	(14,098,750)
Contributions to provision	(8,417,187)	(3,710,052)
	<b>(26,225,989)</b>	<b>(17,808,802)</b>
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	3,575	5,000
Bank balances	-	449,759
Short-term deposits	302,334	2,424,148
Bank overdraft	(5,112,073)	(2,327)
	<b>(4,806,164)</b>	<b>2,876,580</b>
Current assets	305,909	2,878,907
Current liabilities	(5,112,073)	(2,327)
	<b>(4,806,164)</b>	<b>2,876,580</b>

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

Figures in Rand

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### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2011	30 June, 2010	30 June, 2009	30 June, 2011	30 June, 2010	30 June, 2009
First National Bank (Primary Bank Account)-53093735184	(3,881,406)	3,154,959	(1,727,416)	(5,112,073)	449,759	(1,730,688)
First National Bank(Mtubatuba Low Cost)-62050462606	46	5,561	644,495	46	5,561	644,495
First National Bank(Dukuduku Low cost)-62050465858	14,958	70,107	563,854	14,958	70,107	563,854
First National Bank(Call Deposit)-62032346703	8,024	310,478	1,971,892	8,024	310,478	1,971,892
First National Bank (Money Market)-62122552856	80,899	1,846,402	110,898	80,899	1,846,402	110,898
First National Bank(Eskom Deposit)-71044025057	191,600	191,600	191,600	191,600	191,600	191,600
First National Bank(Call account)-62204396388	9,204	(1,050)	-	9,204	(1,050)	-
First National Bank(Call account)-62205190854	(2,397)	(1,277)	-	(2,397)	(1,277)	-
<b>Total</b>	<b>(3,579,072)</b>	<b>5,576,780</b>	<b>1,755,323</b>	<b>(4,809,739)</b>	<b>2,871,580</b>	<b>1,752,051</b>

### 10. Long Term liabilities

**Held at amortised cost**

DBSA Loans

2,461,459 2,732,797

**Non-current liabilities**

At amortised cost

2,212,406 2,567,459

**Current liabilities**

At amortised cost

249,053 165,338

**2,461,459 2,732,797**

**Fair value of the financial liabilities carried at amortised cost**

DBSA loans

2,461,459 2,732,797

Summary of arrangements

DBSA Loans are repaid over periods varying from one to ten years, and at interest rate varying from 12% to 18.50%. DBSA Loans are not secured.

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long-Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions

Refer to Appendix A for more detail on long-term liabilities.



## Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,053,470	441,244
- in second to fifth year inclusive	3,544,503	1,364,757
<b>Present value of minimum lease payments</b>	<b>4,597,973</b>	<b>1,806,001</b>
 Non-current liabilities	3,544,503	1,364,757
Current liabilities	1,053,470	441,244
	<b>4,597,973</b>	<b>1,806,001</b>

It is municipality policy to lease certain [photocopiers, motor vehicles and equipment under finance lease

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Motor Vehicles

Included in these classes are the following significant leases

- (i) Photo copiers
- Instalments are payable monthly in advance
  - Average period outstanding 43 months
  - Average effective interest rate 10.00%
  - Average monthly instalment 2 930
- (ii) Motor vehicles
- Instalments are payable monthly in advance
  - Average period outstanding 31 months
  - Average effective interest rate 15.00%
  - Average monthly instalment 2 010

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Corridor Development Grant	8,505,000	8,904,000
Municipal Infrastructure Grant	(2,162,773)	2,272,827
Low Cost Housing Grant	1,232,377	1,232,377
Mtubatuba Library Assistance	48,645	165,098
Small Town Rehabilitation	4,848,413	504,937
<b>Unspent Conditional Grant and receipt</b>	<b>12,471,662</b>	<b>13,079,239</b>

### Movement during the year

Balance at the beginning of the year	13,079,239	10,111,422
Additions during the year	20,353,680	15,825,560
Income recognition during the year	(20,961,257)	(12,857,743)
	<b>12,471,662</b>	<b>13,079,239</b>

## Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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#### 13. Provisions

##### Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Landfill Site	1,941,118	203,817	-	2,144,935
Leave Pay Provision	1,595,717	326,004	(118,213)	1,803,508
	<b>3,536,835</b>	<b>529,821</b>	<b>(118,213)</b>	<b>3,948,443</b>

##### Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Landfill Site	1,756,668	184,450	-	1,941,118
Leave Pay Provision	1,203,835	481,107	(89,225)	1,595,717
	<b>2,960,503</b>	<b>665,557</b>	<b>(89,225)</b>	<b>3,536,835</b>

##### Performance Bonus Provision

Provision of performance bonus is based on a maximum of 12% of current remuneration of each Section 57 employee. The municipality will reassess the provision for landfill in the next financial year (2011/2012).

##### Environmental Rehabilitation Provision

Provision is made in terms of the environmental regulatory requirements of the landfill waste site, for the estimated cost of rehabilitation of waste site.

The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and discounted to present value at the average borrowing costs of 10.50%. The payment dates of the total closure and rehabilitation are uncertain but are expected to be between 2010 and 2014.

#### 14. Trade and other payables

Trade payables	12,792,847	1,397,978
Payment received in advance	565,241	458,903
Payroll accruals	2,794,550	405,282
Retention Projects	1,098,427	564,216
Interest Payable	50,076	54,763
Other Payables	539,364	241,008
	<b>17,840,505</b>	<b>3,122,150</b>

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

Retentions refer to construction contracts.

## Mtubatuba Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>15. Property rates</b>		
<b>Rates received</b>		
Rates Billed for the year	13,423,557	12,436,410
	13,423,557	12,436,410
Property rates - penalties imposed and collection charges	2,167,554	1,799,202
	<b>15,591,111</b>	<b>14,235,612</b>
<b>16. Service charges</b>		
Refuse removal	3,165,958	2,184,257
St Lucia Security	1,452,706	1,107,187
	<b>4,618,664</b>	<b>3,291,444</b>

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 17. Government grants and subsidies

Equitable share	12,640,248	11,013,250
Finance Management Grant	3,000,000	3,434,120
Municipal Systems Development	-	193,510
Land Use Management Systems	-	103,439
Performance Management Grant	-	188,089
Mtubatuba Library Assistance	2,185,648	134,503
Corridor Development Grant	399,000	96,000
Integrated Development Plan Review	-	61,761
Development Capacity	-	5,848
Municipal Infrastructure Grant	11,594,600	6,749,680
Govenance Support	504,937	95,063
Small Town Rehabilitation	4,511,587	-
Municipal Sytems Improvement Grant	750,000	-
	<b>35,586,020</b>	<b>22,075,263</b>

#### Corridor Development Fund

Balance unspent at beginning of year	8,904,000	8,904,000
Conditions met - transferred to revenue	(399,000)	-
	<b>8,505,000</b>	<b>8,904,000</b>

Conditions still to be met - remain liabilities (see note 12)

#### Integrated Development Plan Review

Balance unspent at beginning of year	-	61,761
Conditions met - transferred to revenue	-	(61,761)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 12)

#### Performance management systems

Balance unspent at beginning of year	-	188,085
Conditions met - transferred to revenue	-	(188,085)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 12)

#### Land use Management System

Balance unspent at beginning of year	-	103,439
Conditions met - transferred to revenue	-	(103,439)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 12)

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>17. Government grants and subsidies (continued)</b>		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	-	1,031,892
Current-year receipts	3,000,000	2,750,000
Conditions met - transferred to revenue	(3,000,000)	(3,781,892)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	197,899
Current-year receipts	-	735,000
Conditions met - transferred to revenue	-	(932,899)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
<b>Municipal Development Planning Capacity</b>		
Balance unspent at beginning of year	-	27,916
Conditions met - transferred to revenue	-	(27,916)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
<b>Umkhanykude Water / Eskom</b>		
Balance unspent at beginning of year	-	423,525
Conditions met - transferred to revenue	-	(423,525)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
<b>Disaster Claim Low Cost</b>		
Current-year receipts	-	150,000
Conditions met - transferred to revenue	-	(150,000)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
<b>Gijima KZN Implementation Plan</b>		
Balance unspent at beginning of year	-	9,465
Conditions met - transferred to revenue	-	(9,465)
	-	-
Conditions still to be met - remain liabilities (see note 12)		

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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### 17. Government grants and subsidies (continued)

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	2,272,827	3,734,508
Current-year receipts	7,159,000	5,288,000
Conditions met - transferred to revenue	(11,594,600)	(6,749,681)
	<b>(2,162,773)</b>	<b>2,272,827</b>

Conditions still to be met - remain liabilities (see note 12)

#### Low Cost Housing Grant

Balance unspent at beginning of year	1,232,377	1,208,337
Current-year receipts	-	73,960
Conditions met - transferred to revenue	-	(49,920)
	<b>1,232,377</b>	<b>1,232,377</b>

Conditions still to be met - remain liabilities (see note 12)

#### Mtubatuba Library Assistance

Balance unspent at beginning of year	165,098	(25,405)
Current-year receipts	96,000	378,600
Conditions met - transferred to revenue	(212,453)	(188,097)
	<b>48,645</b>	<b>165,098</b>

Conditions still to be met - remain liabilities (see note 12)

#### Small Town Rehabilitation

Balance unspent at beginning of year	-	-
Current-year receipts	9,360,000	-
Conditions met - transferred to revenue	(4,511,587)	-
	<b>4,848,413</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 12)

### 18. Other revenue

Other income	899,568	985,658
--------------	---------	---------

#### The amount included in other revenue:

Building Plan fees	32,441	47,839
Burial Fees	161,102	170,904
Rates Clearance Certificate Fee	36,909	14,351
Garden & Special Removal	-	2,540
Sale of Documents	71,041	56,922
Search fees	46,973	3,188
Miscellaneous Income	192,470	650,141
Town Rezoning Application	-	12,250
PIF Interest	-	27,223
	<b>540,936</b>	<b>985,358</b>

## Mtubatuba Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>19. General expenses</b>		
Advertising	360,299	118,753
Auditors remuneration	1,479,214	1,517,303
Bank charges	133,603	83,449
Cleaning	23,784	129
Consulting and professional fees	743,219	301,057
Consumables	206,771	141,253
Entertainment	243,073	61,198
Insurance	424,198	175,548
Community development and training	678,884	20,410
Lease rentals on operating lease	86,067	40,331
Fuel and oil	861,127	369,126
Postage and courier	20,758	152,218
Printing and stationery	390,473	243,521
Protective clothing	237,684	114,768
Security (Guarding of municipal property)	1,756,205	986,853
Subscriptions and membership fees	99,714	117,082
Telephone and fax	780,324	692,244
Training	238,922	69,896
Subsistence and travel	1,136,654	583,112
Refuse Bag	223,653	161,683
Electricity	497,029	249,556
Fire Fighting Material	-	1,101,567
Disaster Management	2,256,980	63,820
Environmental Management	-	6,894
Other General Expense	158,494	245,033
Waste Management Plan	1,483,747	3,422
Special Programmes	3,010,533	724,649
	<b>17,531,409</b>	<b>8,324,675</b>

## Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Employee related costs</b>		
Basic	12,742,481	11,499,381
Bonus	863,944	-
Medical aid - company contributions	924,959	628,002
UIF	126,621	105,704
WCA	-	171,386
SDL	174,320	132,619
Bargaining Council	6,466	6,369
Leave pay provision charge	-	481,106
Group Life Insurance	410,700	274,123
Pension Fund-Company Contribution	1,627,562	1,387,107
Telephone Allowance	211,212	85,222
Post-employment benefits - Pension - Defined contribution plan	-	288,241
Travel, motor car, accommodation, subsistence and other allowances	1,995,063	1,537,675
Overtime payments	943,131	791,151
Housing benefits and allowances	40,511	28,418
	<b>20,066,970</b>	<b>17,416,504</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	-	519,047
Car Allowance	-	164,353
Telephone Allowance	-	16,600
	<b>-</b>	<b>700,000</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	409,013	447,399
Car Allowance	133,923	140,001
Cellphone Allowance	16,500	16,600
Other	84,536	-
	<b>643,972</b>	<b>604,000</b>
<b>Corporate and human resources (corporate services)</b>		
Annual Remuneration	466,613	447,399
Car Allowance	154,805	140,001
Cellphone Allowance	18,000	16,600
	<b>639,418</b>	<b>604,000</b>
<b>Community Services</b>		
Annual Remuneration	473,493	447,399
Car Allowance	154,805	140,001
Cellphone Allowance	18,000	16,600
Other	90,880	-
	<b>737,178</b>	<b>604,000</b>
<b>Technical Services</b>		
Annual Remuneration	466,613	447,399
Car Allowance	154,803	140,001
Cellphone Allowance	18,000	16,600
	<b>639,416</b>	<b>604,000</b>



# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>21. Remuneration of councillors</b>		
Mayor	272,744	295,557
Deputy Executive Mayor	246,854	238,579
Executive Committee Members	313,096	224,344
Speaker	246,854	238,579
Councillors	1,385,443	996,368
	<b>2,464,991</b>	<b>1,993,427</b>
<b>In-kind benefits</b>		
The Mayor and the speaker is provided with an office at the municipality where they share a secretary.		
Certification by the Municipal Manager:		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.		
<b>22. Debt impairment</b>		
Debt impairment	8,417,187	3,710,052
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Interest from Bank	199,647	183,216
<b>24. Depreciation and amortisation</b>		
Property, plant and equipment	5,707,574	5,317,850
<b>25. Finance costs</b>		
Finance leases	611,108	248,528
Current borrowings	215,073	260,281
	<b>826,181</b>	<b>508,809</b>
<b>26. Auditors' remuneration</b>		
Fees	1,479,214	1,517,303

## Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June, 2011

### Notes to the Annual Financial Statements

Figures in Rand

2011

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#### 27. Cash generated in operations

Deficit	(12,730,306)	(2,124,444)
<b>Adjustments for:</b>		
Depreciation and amortisation	5,707,574	5,317,850
Finance costs - Finance leases	611,108	248,528
Debt impairment	8,417,187	3,710,052
Movements in retirement benefit assets and liabilities	-	211,116
Movements in provisions	411,608	115,000
Other non-cash items	(4,194,411)	22,558,049
<b>Changes in working capital:</b>		
Assets held for sale	-	(22,558,049)
Trade and other receivables from exchange transactions	-	212,664
Consumer debtors	(2,653,218)	(5,148,438)
Trade and other payables	14,718,354	(331,244)
VAT	(1,709,761)	2,113,863
Unspent conditional grants and receipts	(607,577)	2,943,777
	<b>7,970,558</b>	<b>7,268,724</b>

#### 28. Commitments

##### Authorised capital expenditure

##### Approved and contracted for

• Infrastructure	12,482,982	2,518,973
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This committed expenditure relates to Infrastructure and will be financed by MIG

#### 29. Contingencies

##### Contingent liabilities

Joyce Mbatha - Damages due to an ankle fracture by J Mbatha  
Golden Sizwe Construction (Pty) Ltd summons the Municipality for housing development.  
Ian Wayles Actioneers - Claim for Commission as they were conducting Auction on behalf of Municipality  
Mbali P. Sithole was dismissed and she appealed her dismissal.

#### 30. Prior period errors

The correction of the error(s) results in adjustments as follows:

Reallisation of Land	29,924,864	27,547,039
Provision for Performance bonus	259,609	-
Provision Post Employment Benefit	1,908,741	-
Surplus on revaluation of assets	61,947,978	-
(Deficit)/Surplus for Previous Year	(12,730,406)	2,377,825
	<b>81,310,786</b>	<b>29,924,884</b>

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 31. Financial Instruments

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

The gearing ratio at 2011 and 2010 respectively were as follows:

Total borrowings	11	4,597,973	1,806,001
Finance lease obligation	10	2,461,459	2,732,797
Other financial liabilities		<b>7,059,432</b>	<b>4,538,798</b>
		(4,806,164)	2,876,580
Less: Cash and cash equivalents	g	11,865,596	1,662,218
Net debt		102,658,812	52,505,266
Total equity		<b>114,524,408</b>	<b>54,167,484</b>
Total capital			

#### Financial risk management

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statement

#### Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

#### Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates

#### Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instrument at year-end with variable interest rates are set out in 38.7 and 38.8 below.

## Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

### Notes to the Annual Financial Statements

Figures in Rand

2011

2010

#### 31. Financial Instruments (continued)

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

##### Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

# Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

## Notes to the Annual Financial Statements

	2011	2010
Figures in Rand		

### 32. Irregular expenditure

	7,553,609	6,624,684
Opening balance	6,706,676	928,925
Add: Irregular Expenditure - current year	<b>14,260,285</b>	<b>7,553,609</b>

### Details of irregular expenditure – current year

Details of irregular expenditure – current year

Irregular expenditure was incurred when:  
amount of conditional grants allocation was spent to fund operating expenditure (outside the grant condions) R4 929 373.

Contracts were given to companies where members were working for the state, amount of R1 777 302.71.

### 33. Actual vs Budget

	Actual	Budget	Variance
Revenue	13,423,557	13,686,000	262,443
Property Rates	4,618,664	4,744,000	125,336
Service Charges	2,167,554	450,000	(1,717,554)
Property Rates	269,818	227,943	(41,875)
Rental of Facilities Equipment	198,792	207,000	8,208
Fines	2,437,854	2,300,000	(137,854)
Licences and Permits	35,586,020	39,290,496	3,704,476
Government Grants & Subsidies	899,568	2,387,390	1,487,822
Other Income	199,647	300,000	100,353
Interest Received - Investment	<b>59,801,474</b>	<b>63,592,829</b>	<b>3,791,355</b>

	Actual	Budget	Variance
Expenditure	20,066,970	19,335,504	(731,466)
Personnel	2,464,991	2,719,000	254,009
Remuneration of Councillors	5,707,574	88,000	(5,619,574)
Depreciation and Amortisation	826,181	450,000	(376,181)
Finance Costs	8,417,187	2,747,000	(5,670,187)
Debt Imparement	5,228,552	3,691,741	(1,536,811)
Repairs and Maintenance	2,835,850	8,038,000	5,202,150
Contracted Services	9,453,066	14,076,592	4,623,526
Grants and Subsidies Paid	17,531,409	10,776,376	(6,755,033)
General Expenditure	<b>72,531,780</b>	<b>61,922,213</b>	<b>(10,609,567)</b>

**APPENDIX A**

**MTUBATUBA MUNICIPALITY**

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June 2011

**SCHEDULE OF EXTERNAL LOANS**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30-06-10	Received during the period	Redeemed written off during the period	Balance 30-06-11
<b>LONG- TERM LOANS</b>						
DBSA 1		30-09-18	2,691,852		230,393	2,461,459
DBSA 2		31-12-10	40,945		40,945	-
<b>Total Long- Term Loans</b>			<b>2,732,797</b>	<b>-</b>	<b>271,338</b>	<b>2,461,459</b>
<b>LEASES</b>						
Vehicle - Wesbank	0001S	31-01-13	94,598		31,891	62,706.98
Vehicle - Wesbank	0002L	31-01-13	94,598		31,891	62,706.98
Motor Vehicle - Wesbank	0003K	31-01-13	83,251		83,251	-
			<b>272,447</b>	<b>-</b>	<b>147,033</b>	<b>125,414</b>
New Bell 770G Motor Grader	00080527964	01-01-16		2,232,235	150,382	2,081,853
10 Ford Ikon 1.6 Ambiente	00080528103	01-01-16		157,320	10,598	146,722
10 Ford Ikon 1.6 Ambiente	00080528235	01-01-16		157,320	10,598	146,722
10 Newholand TT 74	00080528413	01-01-16		237,690	16,013	221,677
10 Newholand Case JXT 75	00080528570	01-01-16		228,000	15,360	212,640
11 Isuzu KB250D Fleetside	00080567320	01-01-16		193,781	13,636	180,145
			<b>-</b>	<b>3,206,347</b>	<b>216,588</b>	<b>2,989,758</b>
KM 1635 Copier	E7X81176	31-01-13	40,644		13,445	27,199
KMC 4035E Copier	N7700314	31-01-13	78,457		25,954	52,503
KMC 4035E Copier	N7700319	31-01-13	78,457		25,954	52,503
KM 1635 Copier	K3109670	31-01-13	46,063		15,238	30,825
KM 1650 Copier	D7617970	31-01-13	41,817		13,833	27,984
KM 2035 Copier	D7618229	31-01-13	41,817		13,833	27,984
KM 1650 Copier	K3109697	31-01-13	46,063		15,238	30,825
KM 2935 Copier	D7618085	31-01-13	41,817		13,833	27,984
Slement 3550	SK772084910	28-02-13	175,709		55,972	119,737
Siemens 1150 Pabex	SK771090850032	01-01-15	22,309		4,039	18,271
MPC2030 Copier	V2103900281	31-05-15	90,019		(21,186)	111,205
HP T1200 Printer	SCN01T2HO4P	31-05-15	63,961		9,685	54,276
MP2851 Copier	V8294800195	31-03-15	132,572		(10,708)	143,280
MP1600SP Copier	L6896960278	31-03-15	146,286		21,312	124,974
MP171SPF Copier	V4499503323	31-03-15	16,000		(572)	16,572
Pro907EX Copier	V5090800039	31-10-14	195,287		(13,489)	208,776
MP3350 Copier	M6394200172	30-09-14	136,959		(9,645)	146,604
MP3350 Copier	M6394200371	30-09-14	136,959		(9,645)	146,604
MP2851 Digital Copier	V8204201453	30-11-15		120,540	5,739	114,802
			<b>1,531,196</b>	<b>120,540</b>	<b>168,829</b>	<b>1,482,908</b>
<b>Total leases</b>			<b>1,803,643</b>	<b>3,326,887</b>	<b>532,450</b>	<b>4,598,080</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>4,536,440</b>	<b>3,326,887</b>	<b>803,788</b>	<b>7,059,539</b>

# **APPENDIX B**

## **MTUBATUBA MUNICIPALITY**

### **ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Transfer in or Disposals	Closing Balance	Opening Balance	Additions	Disposals	
<b>Land and Buildings</b>									
Land	23,370,475	15,000		-	23,385,475				23,385,475
Buildings	10,107,025	162,753		-	10,269,778	5,499,791	147,210		5,647,001
	33,477,500	177,753	-	-	33,655,253	5,499,791	147,210	-	28,008,252
<b>Infrastructure</b>									
Public toilets									
Roads	95,038,003	-	13,609,970	-	108,647,973	82,197,066	2,835,246	-	23,615,661
Landfill Sites									
	95,038,003	-	13,609,970	-	108,647,973	82,197,066	2,835,246	-	23,615,661
<b>Community Assets</b>									
Security Measures	140,472				140,472	70,115	27,391		42,966
Community Assets	42,384,500				42,384,500	10,096,808	1,298,861		30,988,831
Water Tanks	25,641				25,641	5,744	1,495		18,402
Bins and Containers	667	350,400		-	351,067	389	8,822		341,856
	42,551,280	350,400	-	-	42,901,680	10,173,056	1,336,569	-	31,392,055
<b>Heritage Assets</b>									
Historical Buildings	875,001				875,001	175,000	29,167		670,834
Painting and Art Galleries	1				1				1
	875,002				875,002	175,000	29,167		670,835
<b>Total carried forward</b>	171,941,785	528,153	13,609,970	-	186,079,908	98,044,913	4,348,192	-	83,686,803

**MTUBATUBA MUNICIPALITY**

## ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Reclassification and Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
Total brought forward	171,941,785	528,153	13,609,970	-	186,079,908	98,044,913	4,348,192	-	102,393,105	83,686,803
Other Assets										
Office Equipment	899,156	308,873		-	1,208,029	434,746	222,961	-	657,707	550,322
Furniture and Fittings	1,740,912	117,819		-	1,858,731	546,734	226,335	-	773,069	1,085,662
Plant and equipment	606,610	5,800		-	612,410	229,819	96,404	-	326,223	286,187
Motor Vehicles	1,258,343	2,867,225		-	4,125,568	149,803	333,692	-	483,495	3,642,073
Leased Assets										
Office Equipment	4,505,021	3,299,717	-	-	7,804,738	1,361,102	879,392	-	2,240,494	5,564,244
Vehicles	827,812	105,737	-	-	933,549	216,720	264,097	-	480,817	452,732
	1,219,869			-	1,219,869	415,040	215,892	-	630,932	588,937
	2,047,682	105,737	-	-	2,153,419	631,760	479,989	-	1,111,749	1,041,669
Total: Property, Plant and Equipment	178,494,488	3,933,607	13,609,970	-	196,038,065	100,037,775	5,707,573	-	105,745,348	90,292,716
Grand Total	178,494,488	3,933,607	13,609,970	-	196,038,065	100,037,775	5,707,573	-	105,745,348	90,292,716



**MTUBATUBA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENTS AT 30 JUNE 2011**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Operating Balance	Additions	Disposals	
Community services	65,769,865	15,000	-	-	65,784,865	11,372,793	30,114	-	54,381,958
Executive council	5,044,610	2,990,844	-	-	8,035,454	1,665,100	685,597	-	5,684,757
Finance and administration	3,348,806	414,610	-	-	3,763,416	1,468,475	702,951	-	1,591,990
Public safety	196,085	-	-	-	196,085	72,481	28,338	-	95,266
Public works	105,119,952	162,753	13,609,971	-	118,892,676	86,424,250	4,251,751	-	28,216,675
Waste Management	667	350,400	-	-	351,067	390	8,822	-	341,855
<b>TOTAL</b>	<b>179,479,985</b>	<b>3,933,607</b>	<b>13,609,971</b>	<b>-</b>	<b>197,023,565</b>	<b>11,372,793</b>	<b>5,707,573</b>	<b>-</b>	<b>90,312,502</b>

# APPENDIX D

## MTUBATUBA MUNICIPALITY

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	2010	2010	2010	2011	2011	2011
	Restated Actual Income R	Restated Actual Expenditure R	Restated Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
	2,484,424	10,566,520	(8,082,096)	2,636,646	15,855,621	(13,218,975)
	142,530	6,059,892	(5,917,362)	152,660	10,552,340	(10,399,680)
	58,950	1,985,521	(1,926,571)	70,255	3,025,648	(2,955,393)
	34,941,966	16,166,319	18,775,647	48,942,116	22,249,825	26,692,292
	2,563,020	2,879,946	(316,926)	3,022,501	7,898,802	(4,876,300)
	-	2,782,255	(2,782,255)	-	4,025,654	(4,025,654)
	3,291,444	5,166,325	(1,874,881)	4,618,664	8,565,258	(3,946,594)
	-	-	-	-	-	-
	0	-	-	-	-	-
	43,482,334	45,606,778	(2,124,444)	59,442,842	72,173,148	(12,730,306)
	-	-	-	-	-	-
	-	-	-	-	-	-
	43,482,334	45,606,778	(2,124,444)	59,442,842	72,173,148	(12,730,306)

# **APPENDIX E.(2)**

## **MTUBATUBA MUNICIPALITY**

### **ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011/2009**

	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Community services	15,000		15,000	20,000	(5,000)	(25.00)	Capital expenditure carried forward from previous years
Executive council	2,990,844		2,990,844	3,000,000	(9,156)	(0.31)	Capital expenditure carried forward from previous years
Finance and administration	414,610		414,610	450,000	(35,390)	(7.86)	Capital expenditure carried forward from previous years
Public safety	-		-	-	-	-	Capital expenditure carried forward from previous years
Public works	162,753	13,609,971	13,772,724	14,000,000	(227,276)	(1.62)	Capital expenditure carried forward from previous years
Waste Management	350,400		350,400	400,000	(49,600)	(12.40)	Capital expenditure carried forward from previous years
	3,933,607	13,609,971	17,543,578	17,870,000	(326,422)	(1.83)	

# APPENDIX F

## MTUBATUBA MUNICIPALITY

### DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	September	December	March	June		
Corridor Development Fund	COGTA	-	-	-	-	-	-	-	359,000	-	-	-	-	None	Yes
Finance Management Grant	National Treasury	3,000,000	-	-	-	1,378,695	658,021	453,158	510,126	-	-	-	-	None	Yes
MIG	COGTA	-	1,496,000	5,663,000	-	934,772	1,972,699	3,001,961	5,485,167	-	-	-	-	None	Yes
Library Service Fund	Provincial Treasury	1,272,243	-	712,272	-	496,129	496,129	496,129	496,129	-	-	-	-	None	Yes
MSG Grant	COGTA	759,000	-	-	-	158,945	551,055	-	-	-	-	-	-	None	Yes
Mtshushu Library Assistant	ART & Culture	-	-	96,000	-	48,960	54,353	48,960	48,960	-	-	-	-	None	Yes
Small Town Rehabilitation	COGTA	-	9,360,000.00	-	-	-	-	1,201,200	3,310,387	-	-	-	-	None	Yes
Housing Grant	Housing Department	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Governance Support	COGTA	-	-	-	-	286,579.00	191,394.00	-	26,564	-	-	-	-	None	Yes

\* Reasons for non-compliance

No expenditure was incurred in this financial year. The funding will be utilised in the next financial year.